

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 EB-08 DOTE-00 SP-02 L-03
CIAE-00 INR-07 NSAE-00 AID-05 IGA-02 OMB-01
TRSE-00 DODE-00 /051 W
-----039742 150310Z /41

R 140925Z DEC 77
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 5649
INFO AMEMBASSY ISLAMABAD
AMEMBASSY MOSCOW
AMEMBASSY TEHRAN

C O N F I D E N T I A L KABUL 8730

E.O. 11652: AGDS (12-31-78)
TAGS: BEXP, AF
SUBJ: MAJOR PROJECT: AFGHAN RAILWAY

1. FOR THE PAST TWO YEARS, THE FRENCH FIRM SOFRERAIL HAS BEEN WORKING ON A ROUTE AND ENGINEERING STUDY OF THE PROPOSED AFGHAN RAILWAY, WHICH WOULD TRANSVERSE AFGHANISTAN, LINKING THE COUNTRY TO THE IRANIAN AND PAKISTANI RAIL SYSTEMS. THE PROJECT WAS ORIGINALLY CONCEIVED AS PART OF A LARG IRANIAN AID PACKAGE TO AFGHANISTAN.

2. THE FRENCH STUDY IS LARGELY COMPLETED AND THE PRESIDENT OF SOFRERAIL RECENTLY VISITED KABUL FOR DISCUSSIONS WITH THE MINISTRY OF PLANNING AND MINISTRY OF PUBLIC WORKS. HE REPORTEDLY RECEIVED A RESPONSIVE WELCOME BY THE MINISTRY OF PLANNING BUT RAN INTO VERY NEGATIVE OPINIONS AT THE MINISTRY OF PUBLIC WORKS REGARDING THE FEASIBILITY AND PRACTICALITY OF A RAILROAD FOR AFGHANISTAN. FRENCH EMBOFFS BELIEVE THE SOVIET ADVISORS IN THE MINISTRY OF PUBLIC WORKS ARE TRYING TO INFLUENCE THE AFGHANS AGAINST THE RAILROAD AND MAY BE PROPOSING AN ALTERNATIVE PLAN FOR A RAILROAD LINKING AFGHANISTAN WITH THE SOVIET RAIL SYSTEM.

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3. THE COST OF THE PROPOSED RAILROAD, ORIGINALLY ESTIMATED AT ABOUT \$1.0 BILLION, IS NOW PROJECTED AT \$1.8 TO \$2.0 BILLION. PART OF THIS INCREASED COST IS DUE TO THE ADDITION TO THE ORIGINAL PROJECT OF A SPUR TO THE HAMIGAK IRON ORE DEPOSITS ABOUT 100 KILOMETERS WEST OF KABUL. THESE DEPOSITS ARE TOTALLY UNEXPLOITED AT PRESENT AND THEIR DEVELOPMENT WOULD

PROBABLY ENTAIL A PROJECT RUNNING INTO THE HUNDREDS OF MILLIONS OF DOLLARS.

4. THE NEXT STEP, FOLLOWING COMPLETION OF THE SOFRERAIL REPORT, WILL BE FOR THE AFGHANS TO DECIDE WHETHER OR NOT TO APPROACH THE IRANIANS FOR FINANCING. IN RECENT MONTHS, THE FLOW OF IRANIAN AID TO AFGHANISTAN HAS SLOWED TO A TRICKLE AND, THUS, IRANIAN INTEREST IN UNDERTAKING THE FINANCING OF THIS PROJECT IS PROBLEMATIC. THE FRENCH BELIEVE THAT THE AFGHANS MAY DECIDE TO TACKLE THE RAILWAY PROJECT IN SEGMENTS, APPROACHING THE IRANIANS WITH A PLAN TO BUILD THE RAILROAD FROM THE IRANIAN BORDER TO HERAT AND KANDAHAR FIRST AND, LATER, WHILE DEVELOPING HAJIGAK, TO SECURE A SECOND LOAN TO COMPLETE THE PROJECT.

5. COMMENT. THE ECONOMIC FEASIBILITY OF THE AFGHAN RAILROAD HAS YET TO BE DEMONSTRATED, AND WILL PROBABLY DEPEND LARGELY ON THE DEVELOPMENT OF HAJIGAK IRON ORE RESERVES AND THE EXPORT OF IRON ORE OR PRODUCTS. THE ESTIMATED COST OF THE PROJECT IS AWESOME FOR THIS COUNTRY -- APPROACHING THE ANNUAL GNP OF AFGHANISTAN. WE DO NOT EXPECT A RAPID DECISION ON THE PART OF THE AFGHANS TO PROCEED WITH THE PROJECT, BUT WILL FOLLOW DEVELOPMENTS CLOSELY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KABUL08730
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770466-0371
Format: TEL
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771258/aaaabwwf.tel
Line Count: 85
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 535b3a04-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 242912
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: AFGHAN RAILWAY
TAGS: BEXP, AF
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/535b3a04-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009